ATTACHMENT B

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

SECURITIES INVESTOR PROTECTION CORPORATION,

Adv. Pro. No. 08-01789 (BRL)

Plaintiff-Applicant,

SIPA LIQUIDATION

v.

(Substantively Consolidated)

BERNARD L. MADOFF INVESTMENT SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation of Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

SHARON KNEE,

Defendant.

Adv. Pro. No. 10-04986 (BRL)

EXPERT REPORT OF
MATTHEW B. GREENBLATT, CPA/CFF, CFE
SENIOR MANAGING DIRECTOR
FTI CONSULTING, INC.

PRINCIPAL BALANCE CALCULATION
AS APPLIED TO
SHARON KNEE

October 1, 2013

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I. INTRODUCTION

- 1. As described in my Expert Report regarding the Methodology for the Principal Balance Calculation dated November 15, 2012 (the "Principal Balance Calculation Report"), FTI Consulting, Inc. ("FTI") was retained by Baker & Hostetler LLP, on behalf of the Trustee, to, among other things, reconstruct the books and records of BLMIS. I, Matthew B. Greenblatt, am a Senior Managing Director at FTI. Additional information regarding my professional experience and recent testimony is included in my Curriculum Vitae annexed hereto as **Exhibit 1**.
- 2. As part of FTI's reconstruction of the books and records of BLMIS, chronological listings of all cash and principal transactions for every BLMIS customer account were compiled. These chronological listings provided the foundation to calculate every BLMIS account holder's principal balance on a daily basis for all dates from April 1, 1981 through December 11, 2008 (the "Principal Balance Calculation").
- 3. The Principal Balance Calculation Report explains the methodology of the Principal Balance Calculation and describes the relevant documents and data which were maintained by BLMIS.¹
- 4. This report specifically applies the methodology of the Principal Balance Calculation to the BLMIS account associated with the Defendant, Sharon Knee (the "Defendant"), in the above-captioned action. Accordingly, this report should be read in conjunction with the Principal Balance Calculation Report.
- 5. This report has been prepared in connection with the above-captioned matter and is to be used only for the specific purposes of this lawsuit. It is not to be used for any other purpose without the express written consent of FTI. If called upon to testify in this matter, I intend to provide testimony regarding my analyses and conclusions consistent with this report. FTI is being compensated at a rate of \$554 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of the subject litigation.

The opinions that I render in the Principal Balance Calculation Report, the documents that I considered in connection with that Report, and the accompanying Exhibits to that Report, are all incorporated by reference. All capitalized terms not defined herein shall have the meaning ascribed to them in the Principal Balance

Calculation Report.

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6. The documents and data that I considered in connection with this report are listed in **Exhibit 2**. I reserve the right to supplement my report based on any additional documents or information received.

II. KNEE ACCOUNT ACTIVITY AND THE PRINCIPAL BALANCE CALCULATION

- 7. The Principal Balance Calculation was performed for every BLMIS customer account, including the BLMIS account associated with the Defendant. This section of the report provides a summary of the cash activity in the BLMIS account relevant to this proceeding.
- 8. The Defendant maintained customer account 1ZB272 with BLMIS from December 1995 through December 2008 (the "Knee Account").
- 9. Throughout its account history with BLMIS, the Knee Account had a total of 39 cash and principal transactions that ultimately impacted the Principal Balance Calculation. Each of these transactions was obtained from the Customer Statements from December 1995 through November 2008. (*See* Exhibit 3 for a Summary Schedule of Cash and Principal Activity in the Knee Account.)
- 10. On December 18, 1995, the Knee Account was opened with a deposit via check in the amount of \$225,000, all representing principal.
- 11. Subsequent to the initial deposit, there were 22 additional deposits of principal totaling \$1,060,000:
 - A deposit via check of \$50,000 on January 22, 1996;
 - A deposit via check of \$3,000 on March 1, 1996;
 - A deposit via check of \$2,000 on March 1, 1996;
 - A deposit via check of \$2,500 on March 1, 1996;
 - A deposit via check of \$2,500 on March 1, 1996;
 - A deposit via check of \$10,500 on March 29, 1996;
 - A deposit via check of \$2,500 on March 29, 1996;
 - A deposit via check of \$2,000 on March 29, 1996;
 - A deposit via check of \$50,000 on April 8, 1996;
 - A deposit via check of \$50,000 on May 6, 1996;
 - A deposit via check of \$100,000 on July 1, 1996;

- A deposit via check of \$30,000 on July 29, 1996;
- A deposit via check of \$25,000 on September 30, 1996;
- A deposit via check of \$60,000 on February 12, 1997;
- A deposit via check of \$35,000 on March 29, 1999;
- A deposit via check of \$25,000 on June 3, 1999;
- A deposit via check of \$100,000 on January 3, 2000;
- A deposit via check of \$50,000 on June 14, 2000;
- A deposit via check of \$50,000 on June 21, 2000;
- A deposit via check of \$60,000 on April 23, 2003;
- A deposit via check of \$150,000 on August 5, 2004; and
- A deposit via check of \$200,000 on September 20, 2004.
- 12. These 23 deposits provided the Knee Account with a total \$1,285,000 of principal.
- 13. Between December 18, 1995 and December 11, 2008, the Knee Account reflected a total of 16 cash withdrawals from the account for a total amount of \$2,410,000 an amount which included both the principal in the account *and* fictitious profits.
- 14. The Principal Balance Calculation for the Knee Account demonstrates that between December 18, 1995 and December 11, 2008, \$2,410,000 was withdrawn from BLMIS, which consisted of \$1,285,000 of principal and an additional \$1,125,000 of funds withdrawn in excess of principal, representing fictitious profits. The \$1,125,000 of fictitious profits was withdrawn within the two-year period prior to December 11, 2008. (*See* Exhibit 4 for the Detailed Schedule for the Principal Balance Calculation for the Knee Account and for references to the specific documentation supporting each transaction from the BLMIS records, where available.)

III. SIGNATURE AND RIGHT TO MODIFY

15. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

Respectfully submitted,

Matthew B. Greenblatt, CPA/CFF, CFE

Senior Managing Director

FTI Consulting, Inc.

Dated: October 1, 2013

IV. LIST OF EXHIBITS

- Exhibit 1 Curriculum Vitae and Testimony of Matthew B. Greenblatt
- Exhibit 2 Documents Considered
- Exhibit 3 Summary Schedule of Cash and Principal Activity in the Knee Account
- Exhibit 4 Detailed Schedule for the Principal Balance Calculation for the Knee Account